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SUBJECT: MADRID WEEKLY ECON/COMMERCIAL/AG UPDATE - DECEMBER
22-28

MADRID 00002307 001.2 OF 002

Table of contents

PGOV: Polling Suggests Economic Pessimism

EFIN: Bad Loan Rate Rises, Still Low

ENRG: Repsol Finalizes YPF Sale

ECON/ENRG: Largest Gas Storage Facility in Spain Planned

IND/ECON: Two High-Speed Trains Come on Line

Polling suggests economic pessimism

11. (U) An Expansion Ipsos poll conducted December 14-16, 2007 showed that 50% of those polled thought that the economy had worsened during President Zapatero's tenure, 26% thought that it had not changed and 20% thought that it had improved. Curiously, however, 43% of Spaniards still think that the PSOE would do a better job managing the economy than the PP versus 41% who think the PP would do better. The socialists have a bigger advantage on political issues according to Expansion's polling - 50% think they would do better than the PP versus the 35% who think the PP would do better. (Comment: Inflation and higher interest rates have clearly caused the government to take a bit of a hit on economic issues. So far, however, it remains to be seen whether this will prove to be a serious drag for the PSOE in the March 9, 2008 elections.) (Expansion, 12/24/07)

Bad Loan Rate Rises, Still Low

12. (U) The percentage of bank, savings bank, and credit cooperative loans that are past due rose in October to 0.82 percent, the fourth consecutive monthly increase and the highest level of the year, according to the Bank of Spain figures. Each of the three types of institutions saw its percentage of bad loans rise. The Spanish Banking Association expressed confidence that the sector could handle the increased delinquency rates, and a credit union representative noted that the rate was still well below European average. (ABC 12/26)

Largest Gas Storage Facility in Spain Planned

¶3. (U) Gas network operator Enagas recently partnered with Spanish construction firm ACS and Eurogas Corporation to invest 1.2 billion euros in what will be Spain's largest natural gas storage facility. This facility, which will have a storage capacity of 1.3 billion cubic meters of liquified natural gas will be developed in an abandoned oilfield off Spain's Mediterranean coast by the resort city of Castellon. It is expected to come on line in 2010 and will supply coastal areas such as Barcelona and Valencia. The gas is expected to be imported from a variety of countries as Spain does not produce natural gas. (El Pais, December 22)

Repsol Finalizes YPF Sale

¶4. (U) Repsol announced December 21 that it had finalized the sale of 25 percent of its Argentinean subsidiary, YPF, to Argentina's Eskenazi family. Repsol representatives indicated that it would sell 14.9 percent immediately for \$2.24 billion with an option to buy the remaining 10.1 percent within the next four years. Once the deal is completed, an additional 20 percent of YPF held by Repsol would be floated on Argentina's stock market. This transaction is in line with recent Repsol efforts to realign larger portion of its investment towards Africa and the Middle East. (El Pais, December 22)

Two High-Speed Trains Come on Line

¶5. (U) RENFE train officials expressed satisfaction with the performance of the two new high speed "AVE" rail lines between Madrid and Valladolid in the north and Madrid and Malaga in the south. The lines were inaugurated on December

MADRID 00002307 002.2 OF 002

23, and although the initial rides to Valladolid experienced some delays, the majority reached their destination on time. Meanwhile there is little news about when the AVE line between Barcelona and Madrid, which originally was scheduled to open this month, will be completed. Indications are that it will not open until after the March 9 elections.

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